

This letter is a follow up to ST 02-0068-GIL. (This is a GIL).

June 12, 2002

Dear Xxxxx:

This letter is a follow up to our letter to you of March 28, 2002 (copy enclosed) in which we responded to your letter dated January 7, 2002. In our letter to you, we indicated that it appeared to us that the transactions you intend to enter into are conditional sales. Upon further review, we have decided that there is not enough information provided for us to draw that conclusion.

In your letter you indicated that "[r]enters may return vehicles at any time." However, it is not clear to us what the renters' obligations are if they return the vehicles early. Section 3 under "Rental Disclosure" makes provision for the total schedule of payments that the renter is obligated to make under the Agreement. Section 4 under "Notice to Renter – Read Before Signing" provides that after the first regular payment is made, the renter may choose an early buy-out option. Under the early buy-out option, the renter must pay the total scheduled payments minus the amount already paid, multiplied by a percentage to be filled in. We initially assumed that choosing the early buy-out option was the only way to end the agreement early. It now appears to us that a renter may be able to return the vehicle early without purchasing the vehicle, as provided for in Section 2 under "Terms of Agreement." However, it is not clear how this provision relates to the provisions of Section 3 "Total of Scheduled Payments" under "Rental Disclosures." Without more information, we cannot characterize the nature of the transaction as a rental agreement subject to Automobile Renting Occupation Tax, a true lease, or a conditional sale.

I hope this information is helpful. The Department of Revenue maintains a Web site, which can be accessed at www.revenue.state.il.us. If you have further questions related to the Illinois sales tax laws, please contact the Department's Taxpayer Information Division at (217) 782-3336.

If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of 2 Ill. Adm. Code 1200.110(b).

Very truly yours,

Martha P. Mote
Associate Counsel

MPM:msk
Enc.